



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

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Order Instituting Rulemaking Regarding Policies,  
Procedures and Rules for the Low Income Energy  
Efficiency Programs of California's Energy  
Utilities.

R.07-01-042  
(January 25, 2007)

Southern California Edison Company's (U 338-E)  
Application for Approval of SCE's "Change A  
Light, Change The World," Compact Fluorescent  
Lamp Program.

A.07-05-010  
(Filed May 10, 2007)

**PACIFIC GAS AND ELECTRIC COMPANY'S RESPONSE TO  
ADMINISTRATIVE LAW JUDGE'S SEPTEMBER 27, 2007 RULING  
SEEKING COMMENTS ON ISSUES RAISED IN THE KEMA NEEDS  
ASSESSMENT REPORT AND ON NATURAL GAS APPLIANCE TESTING  
ISSUES**

LISE JORDAN  
DANIEL F. COOLEY

Pacific Gas and Electric Company  
77 Beale Street  
San Francisco, CA 94105  
Telephone: (415) 973-6646  
Facsimile: (415) 973-0516  
E-Mail: DFC2@pge.com

Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: October 16, 2007

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TESTING ISSUES**

**I. INTRODUCTION**

PG&E welcomes the opportunity to address the LIEE policy and procedure issues raised by the KEMA Needs Assessment Report ("KEMA Report") in the questions in the ALJ's September 27, 2007 Ruling as well as the issues raised in the September 14, 2007 NGAT-related ruling seeking input from interested parties.

The KEMA Report provides useful information about our low income customers in California: who they are, where they live, what they need, and how to reach them. PG&E is pleased to discover that many of KEMA's findings are in-line with PG&E's own experiences running and marketing the CARE and LIEE programs to its low income customers.

PG&E notes that all of the ALJ's specific Needs Assessment questions (and Energy Division proposed strategy matrix in Attachment A of the ruling) focus on LIEE program marketing and outreach strategies rather than on specific energy-based needs. As the

Commission is aware, it is difficult to design 2009-2011 marketing outreach approaches before the Commission has established priorities for the customers it wishes the programs to target and these responses should be read in that context.

PG&E has several overarching comments with respect to Needs Assessment-related questions and its responses.

1. Any comments on marketing approaches must be preliminary in nature since they predate the Commission Decision establishing goals and priorities. Therefore, PG&E looks forward to receiving Commission direction concerning program design to assist in establishing the appropriate marketing and outreach efforts for the 2009-2011 timeframe.
2. Developing effective strategies to market LIEE has generally not been a problem for PG&E. In fact, the problem has been to limit customer expectation to be consistent with available funding.

PG&E also provides some comments on Energy Division's Attachment A Matrix, and is generally concerned that the specific decision-making processes is overly prescriptive, particularly given that the Commission has not set its goals and priorities for the 2009-2011 timeframe.

Also, PG&E wishes to correct certain historical eligibility and penetration numbers included in Tables 1-2 and 5-5 of the KEMA Report.

With respect to the NGAT program, PG&E appreciates the Commission's September 14, 2007 NGAT Ruling seeking one final round of input prior to rendering a decision on possible modifications to the NGAT program. PG&E's responses below identify certain challenges and issues for the Commission to consider in this regard.

## **II. KEMA NEEDS ASSESSMENT RESPONSES**

- 1. What strategies would achieve higher participation in areas where there do not appear to be any unique challenges to expanding participation?**

Traditionally, LIEE program participation has been constrained by LIEE budget and infrastructure. Thus, the utility is careful not to over-market the program. Currently, PG&E

manages participation so as not to create over-demand or expectations that cannot be met in a given year. PG&E does not anticipate that increasing LIEE program participation is a problem at this time, with so many untreated eligible customers in our service area. PG&E anticipates continuing to use successful outreach and enrollment strategies to enhance participation in areas where there do not appear to be any unique challenges to expanding participation. Nonetheless, the real challenge for PG&E in light of LIEE budget constraints is not to over-market programs and thus create customer expectations that cannot be met in a given year.

**2. Should LIEE program target specific types of households, *e.g.*, African-American households or large households? If so, what strategies should the utilities use to target identified households?**

Before targeting households, stakeholders need to decide and clearly articulate what the purpose of the LIEE program is:

- To save energy?
- To decrease customer bills, or decrease energy burden?
- To provide comfort, health, and safety to low income customers?
- To educate customers so that they can control their energy use, save more energy, and/or decrease their bills?
- To provide jobs in low income communities?

All of these items have been mentioned as LIEE program goals. Although the LIEE program accomplishes many of these purposes at the same time, PG&E requests further direction from the Commission concerning the prioritization of these goals, in order to assist PG&E in planning effective implementation strategies.

Some examples are provided to illustrate the prioritization challenges faced by the utilities.

If energy savings is the primary goal of the LIEE program, we may want to target large energy users. The KEMA Report does not demonstrate that any particular ethnic group has a culturally-determined predisposition to use more energy than any other group. However, household size is a factor linked to greater energy use. Since larger households may use more

energy overall, these could be targeted because they have a greater potential to save more energy for the time and money spent.

If equity and parity within the eligible low income population is a primary program driver, then African-Americans (or any other type of ethnic household) may be appropriately targeted if it becomes apparent that they are being underserved in comparison to their incidence in the low income population. If a particular group was underrepresented, program managers would want to craft more effective messages to recruit them.

If our goal is to treat as many households as possible within our budget then PG&E would not encourage its contractors to perform all available measures in a given home, but rather, to focus solely on those that are most cost effective.

It should be noted that PG&E's incidence rate for treating the ethnic groups identified in Table 4-7 is right on target with their incidence in PG&E's low income population. For example, since 2003, 10% of the 261,603 homes treated by PG&E in the LIEE program were identified as African American. African Americans make up 11% of PG&E's estimated eligible low income population (from the KEMA Report, Table 4-7), thus their incidence in the treated population is on par with their incidence in PG&E's low income population.

**3. Should the LIEE program target households in specific geographic areas (remote areas, densely populated areas, hot climate areas)? If so, what strategies can be employed to target such areas?**

Assuming that one of the Commission's primary goals is cost-effective program measures, this could be achieved by targeting a substantial portion of the LIEE program to households in densely populated areas and households in more extreme climate zones. However, PG&E is not recommending this approach. PG&E believes that the LIEE program should continue to serve all eligible customers. PG&E is currently considering a tiered approach that would target high energy users while still treating all eligible low income customers. Additionally, the LIEE program could continue to promote different services in different areas to increase energy efficiency. To some extent we do this now by not offering air conditioning replacement services in cooler climate zones. In a similar vein, the KEMA Needs

Assessment Report points out that households living in warmer southern California climate zones are less likely to use their furnaces, suggesting that perhaps furnace repair and replacement does not need to be a high priority in these warmer areas of the state.

**4. How can the LIEE application process be simplified to reduce customer confusion during the application process and to reduce the waiting period for LIEE installations?**

The KEMA Report eludes to complications customers have had with the current application process. However, in PG&E's program, the customer does not fill out an application to enroll in the LIEE program. Rather, paperwork is completed by the contractor during the initial visit, with the help of the customer. PG&E assumes that customers are referring to either the overall LIEE program process, and/or that customers do not want to verify their income, which requires providing financial records.

PG&E does not recommend eliminating the financial documentation requirement. Unlike the CARE program which is self-certified, LIEE provides expensive equipment, home weatherization services and minor home repairs, which cannot be taken back if a customer is shown later to not qualify for the program. Program managers cannot redistribute the LIEE funds expended to provide services to another qualifying household. Also unlike the CARE program, D.01-03-028 (Mimeo, pp.12-15) upheld that income documentation should be required for the LIEE program.

**5. How can the LIEE program be modified to reduce the stigma some customers believe is associated with the program? Can documentation requirements be reduced?**

PG&E does not believe that program modifications are needed in this area. The LIEE program is known and promoted to PG&E customers as the Energy Partners Program, not the Low Income Energy Efficiency program. Customers must be income eligible to participate (not that they be "low income" or "poor"). If there is resistance to receiving free help, or to "getting something for free," PG&E staff and contractors explain to the customer that they have already paid for these services in the public goods charge on their bills and that, by receiving



these energy efficiency services, they help both themselves and everyone else in the State of California.

We do not believe documentation should be reduced for this program, as explained in the response to Q.4.

**6. How can education and training on the use of programmable thermostats be improved to assure more effective use of these technologies? Are there similar/other educational measures that need to be improved?**

PG&E does not believe that modifying education around programmable thermostats would have any substantial impact on low-income customers' energy bills or the success of the program at large. Programmable thermostats are not a measure under the current LIEE program, as that rapid deployment measure was not found to be cost effective when it was assessed in 2003. Under the current LIEE program, thermostats are installed now only if we are replacing a furnace and a programmable thermostat is required by code.

We have found that many customers find programmable thermostats hard to program (or to reprogram if they want to change a setting). Printed instructions are often lost. Elderly customers find them difficult to see and read. Leaving step-by-step instructions would overcome some programming difficulties, but would not overcome tiny print on thermostat touch screens or other visibility issues. However, if instructions become lost, the customer will call us for help every time they change a setting.

In addition to overcoming difficulties setting the thermostat, other thermostat problems derive from ingrained thermostat setting behaviors (determining how people actually use their thermostats to control heat and comfort in their homes) and on personal beliefs about how furnaces work. It is not uncommon for customers to believe that turning thermostats up higher makes them work harder or faster. In addition, many customers simply use their thermostat as an on-off switch, and will never change the temperature setting.

**7. How can the utilities coordinate their low income programs with those of other regulated utilities and municipal utilities statewide?**

PG&E currently coordinates its LIEE program with Southern California Gas Company and Southern California Edison Company and has begun discussions with SMUD. Additionally, PG&E coordinates with Low Income Home Energy Assistance Program (LIHEAP) agencies: PG&E sends a letter to all customers whose home fails the NGAT that PG&E cannot make the repair or replacement. The letter informs the customer that they may be eligible for additional services under the LIHEAP program and includes LIHEAP contact information. PG&E also offers special leveraging contracts to LIHEAP agencies that are not contractors in its LIEE program. PG&E provides refrigerators to qualifying LIHEAP clients who are also PG&E customers, thus allowing LIHEAP agencies to leverage their funding further with minimal paperwork. PG&E does not have any additional suggestions with respect to coordinating with other utilities at this time, but is certainly open to suggestions and looks forward to further Commission input into this process.

**8. How can the utilities redesign their programs to assure that individual households do not receive measures that are not needed and do receive those that are?**

PG&E believes the current program is designed to prohibit customers from receiving measures for which they do not qualify. PG&E's web-based online program database also contains checks designed to preclude customers from receiving measures for which they are ineligible. PG&E energy specialists assess the home on the first visit to determine all feasible measures for which the customer may qualify and PG&E inspectors verify installation of these measures on the back end for a random percentage of homes.

**9. How can the utilities reduce the cost of locating eligible customers generally, and in particular, in neighborhoods that are remote or not predominantly low income? What are the prospects for joint marketing with other energy efficiency programs and California Alternative Rates for Energy?**

PG&E is presently engaged in joint marketing efforts internally with its other energy efficiency programs and CARE as follows:

- PG&E energy efficiency program brochures include LIEE information.
- PG&E energy efficiency web sites include links to LIEE.
- PG&E provides LIEE information and contact phone numbers in the “Free Services” brochure that is also used to market CARE and other free programs.
- PG&E phone and counter customer service representatives are trained to ask customers if they might qualify for CARE or LIEE services. If the customer is eligible the representative will take the customer’s information to refer him/her to the program.
- PG&E’s communications and community staff mention LIEE when they are discussing CARE and other PG&E programs and refer interested customers to PG&E’s LIEE referral phone lines for more information about participating.
- PG&E’s LIEE contractors are provided PG&E customer data (including information on CARE status and previous LIEE participation) to use to recruit LIEE program participants. With this information, they can make cold calls to CARE customers, canvass neighborhoods where multiple CARE customers live, and attend local events. Because they also have the database of past LIEE participants, they can weed out those participants who are not eligible to participate again for 10 years.

While treating customers in more remote areas is more expensive, finding and recruiting customers in remote areas is not necessarily more costly than finding and recruiting customers in dense areas. Contractors recruit rural CARE customers by phone, mail, and other venues, as described above. Referrals are also received from PG&E’s customer contact centers. PG&E sets participation goals by county based on the number of low income customers estimated to be eligible for the program.

**10. What other information or recommendations in the KEMA Report provide insights about whether and how the utilities could improve LIEE programs?**

The KEMA Report provides good low income demographic and needs data in one place. Demographic information from the KEMA Report is consistent with census information previously obtained by PG&E. The needs data supports anecdotal information and findings of our LIEE program managers about energy efficient equipment in low income households based on their experience with program trends. PG&E anticipates that needs data will be very useful in program planning.

## **11. Additional miscellaneous comments on KEMA Report**

### **a. Comments on energy division matrix**

PG&E has reviewed the chart created by Energy Division to suggest a program delivery strategy that takes into account neighborhood density and the customer's energy usage. PG&E appreciates Energy Division's attempt to create an all-encompassing program delivery strategy and believes the attempt provides a starting point for discussion. However, the strategies described in the matrix may be overly prescriptive and thus not particularly helpful without more direction from the Commission regarding program goals and objectives. PG&E believes parties should focus on defining LIEE goals and objectives before deciding how to achieve them.

In addition, strict adherence to the matrix would preclude many needy PG&E customers from participating in the LIEE program based on where they live. As described in the KEMA Report, many PG&E customers live in very sparsely populated geographic areas and are low energy users. According to the matrix, these customers would not be screened and would only be eligible to receive low cost measures delivered at events. Since many of our customers in these areas do not receive natural gas from PG&E, the only measure likely to be distributed would be CFLs, with no guarantee that they would be installed. Needy customers not residing near a scheduled event location would have to have transportation and be able to come into a town which may be quite far away to receive their CFL.

In addition, customers living in the more sparsely populated areas of PG&E's service area are more likely to experience comfort, health and safety concerns resulting from extreme climates than customers living in the densely populated temperate coastal communities.

PG&E believes that needy customers in the foothills and other remote areas of its service area should be eligible to receive all the appropriate measures for which they qualify. It would be unfortunate to make the program so prescriptive that PG&E would be unable to serve our qualifying and needy customers.

The KEMA Report described several outreach methods that are used by PG&E's outreach workers when they recruit and qualify customers for the LIEE program. Successful approaches are tailored to the community, and PG&E contractors, who live in the communities they serve, are very experienced in signing up qualified customers in their assigned areas. PG&E's program is not experiencing any problems recruiting enough customers; rather the program outreach workers take great care not to oversubscribe the program, thereby creating a greater demand than they can fulfill in a year.

**b. Corrections to KEMA Report Tables 1-2 and 5-5**

Table 1-2 is incorrect for PG&E. The table is applying 2007 estimated household eligibility to 2006 CARE participation, resulting in an incorrect actual penetration rate for 2006. PG&E requests that historical eligibility and penetration be corrected.

**Table 1-2 (and 5-5)**  
**Estimates of Annual CARE and LIEE Program Penetration (2006)**  
**(2006, by IOU)**

	CARE Eligible Households (200%)	CARE Participants	Annual CARE Penetration	LIEE Eligible Households (200%)	LIEE Participants	Annual LIEE Penetration
PG&E	1,601,238	1,133,663	71%	1,868,594	58,250	3%
SCE	1,351,845	1,055,710	78%	1,365,633	53,004	4%
SCG	1,762,569	1,264,264	72%	2,005,118	36,852	2%
SDG&E [1]	335,015	220,010	66%	394,242	13,965	4%

[1] SDG&E CARE penetration estimate is based on the electric tariff counts of CARE participants and the electric service counts of CARE eligible households.

Estimated eligibility is based on the census and is calculated annually. PG&E and the other IOUs update and file estimates of their eligible low income population annually, as described in the KEMA Report in Section 3.3. The updated eligibility, filed by SCE for the Joint Utilities on October 14, 2005 (and subsequently amended on December 21, 2005 to reflect the income eligibility criteria increase for CARE from 175% FPL to 200% FPL, as mandated in D.05-12-044) was used to report 2006 penetration and program activity in the utilities' Monthly Low Income Reports to the Commission. In 2006, 1,536,146 PG&E customers were estimated to be eligible for CARE, and 1,137,387 customers were enrolled in

the program at year end. Thus, PG&E's reported annual penetration rate at year end 2006 was 74%. The 1,601,238 eligibility reported in Table 1-2 is the current number of customers estimated to be eligible for PG&E's CARE program in 2007. To date in 2007, PG&E has 1,156,511 CARE participants, resulting in 72% penetration (as of September 30, 2007, reported in the October 21, 2007 monthly low income report).

The LIEE results reported in Table 1-2 are also incorrect: the baseline LIEE Eligible Households used for PG&E in 2006 was 1,800,424 (1,868,598 is the PG&E baseline for 2007). PG&E's LIEE program treated 66,043 homes in 2006, not 58,250, resulting in a 3.6% penetration rate for 2006.

The corrected line for PG&E 2006 results should read:

PG&E	1,536,146	1,137,387	74%	1,800,424	66,043	4%
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### III. NGAT RELATED RESPONSES

PG&E also hereby submits comments to the September 14 ruling seeking input on possible modifications to the NGAT program.

#### 1. What are specific challenges associated with the current NGAT process?

There are at two significant challenges discussed herein associated with the current NGAT process:

- a. The current NGAT process requires that the vents be brought up to current building code. The cost of those vent extensions has a significant impact on budget dollars that would be available to perform LIEE work in other households.
- b. NGAT is performed *after* the last infiltration measure is installed and all work on the home is completed. At that time, there is no incentive for the customer to schedule more time with the contractors and it can be difficult for contractors to get back into the home to perform NGAT.

**2. How are low income customers affected by the current NGAT process?**

In summary, when the low-income customer is a homeowner the furnace and/or water heater will be inspected and the utility representative will attempt to correct the combustion or venting problem, but if he is unable to do so the defective appliance will be disconnected. Tenants are presently ineligible to participate in the furnace or water-heater replacement portion of the program.

The current NGAT process identifies unsafe conditions and/or inoperative or hazardous appliances and corrects them or, at a minimum, makes the situation safe. A qualifying home that fails NGAT may be eligible to receive furnace repair or replacement if it is homeowner-occupied. Renter-occupied homes are not eligible to receive appliance repair and replacement under the LIEE program because their landlords are already required by law to provide space heating and water heating. While the specific percentage of energy efficiency work performed by landlords for residential rental properties is unknown, anecdotally, there can be little doubt that significant improvement would be possible if the tenants could participate in the LIEE program. However, the reasoning behind this CPUC decision to disallow LIEE space and water heating in renter-occupied homes was that the LIEE program should not be using its limited budget to subsidize landlords for something that they were already required by law to provide.

Failing the NGAT does not preclude the customer from participating in the LIEE program; if the NGAT fails for specific reasons, such as non operational appliances, venting, or combustion ventilation air (CVA) deficiencies, the participant is still eligible to receive non-infiltration measures, including: CFLs, refrigerators, air conditioning, attic insulation, pipe wrap, water heater blankets, etc.

Although renters are prohibited from participating in the furnace and water heater repair and replacement component of the LIEE program, they are still eligible for any appliance adjustments that are within the scope of PG&E's regular utility gas service representative work. Regardless of whether the program participant is a homeowner or renter, any unsafe appliance will be made safe by our Gas Service Department. Remedies may include disconnecting a hazardous appliance.

**3. How can the utilities improve the current NGAT process? In that regard, what, if anything, would the Commission need to order the utilities to do? How would each utility program modification affect customer bills, reduce energy use, or address customer health, safety and comfort?**

The current NGAT process in PG&E's service territory could be improved by resuming performance of flue tests. The Commission could facilitate the resumption of the flue test by ordering PG&E to resume such tests in its service territory. This order would be a reversal of the Commission's directive in D-03-11-020 (Order 5(a) at page 84). This order need not necessarily be applied to each of the other utilities. The flue test would uncover more hazardous appliances; in that, only 1% of appliances fail the ambient test, while 4.5% fail the flue test. While this would not likely have any impact on customer bills or energy use it could very well affect customer health, safety, and comfort, in a limited number of homes where the venting irregularities are only discovered through the performance of the flue test.

Prior to adopting NGAT with its ambient carbon monoxide (CO) test, PG&E used a flue test to identify hazardous appliances.<sup>1</sup> The flue test identifies inefficient combustion in the appliance by detecting the composition of the flue gases (that is, checking that there is no high CO content in the flue).

In addition to identifying more unsafe appliances, using the flue test instead of the ambient test would identify more *inefficient* appliances. The flue test identifies inefficient combustion by detecting the composition of the flue gases – no CO indicates more complete combustion of the gas.

For utilities only:

**4. How many residences in your territory received LIEE Measure and services during 2006?**

PG&E treated 66,043 homes (i.e.: these homes received services and/or measures) under the LIEE program in 2006. [Source: 2007 AEAP, Table 2]

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<sup>1</sup> PG&E defines a hazardous appliance as one that is producing CO in excess of the ANSI standards for CO. The ANSI standards require the CO reading to be taken from the flue, before any dilution air is introduced through the draft diverter.



5. **How many of the homes served with LIEE services in 2006 had problems with non-infiltration measures? The purpose of this question is related to non-equipment concerns.**

Approximately 6,700 homes out of the 66,043 homes treated under the LIEE program in 2006 received only non-infiltration measures because of a gas appliance related “problem” such as: renter NGAT fails, non-feasible CVA, uncorrectable venting issues, customer refusal, or contractor unable to gain admittance to the home.

6. **How *many* of the homes serviced with LIEE services during 2006 were denied services due to an NGAT failure? The purpose of this question is to determine which homes had problems with the equipment itself.**

An NGAT failure does not preclude a home from receiving LIEE services for which they qualify; only infiltration measures are withheld. Homes are denied specific LIEE **infiltration measures** for two reasons: 1) NGAT failure and 2) having a non-utility heat source. These homes that cannot receive infiltration measures will still receive all non-infiltration measures and services for which they qualify under LIEE. Likewise, homes that do not receive PG&E electric service are not eligible to receive LIEE electric measures, nor are homes that use a non-PG&E commodity water heating source eligible to receive LIEE water measures.

7. **When a house fails an NGAT, how does the utility coordinate with other programs such as LIHEAP?**

PG&E sends a letter to all customers whose home fails the NGAT and PG&E cannot make the repair or replacement. The letter informs customers that they may be eligible for additional services under the LIHEAP program, and includes LIHEAP contact information.

#### **IV. CONCLUSION**

PG&E is aware that the Commission has expended significant effort to ensure that the utilities and their low-income customers receive maximum benefit from LIEE and CARE programs. The KEMA Report prepared at the request of the Commission is an example of the Commission’s dedication and commitment to enhancing the level of existing low-income programs. While PG&E sincerely believes that the responses above demonstrate that the low-income program is functioning at a very high level in PG&E’s service territory, there can be no

doubt that there is always room for improvement. PG&E looks forward to working with the Commission and the other utilities to develop strategies which will make the 2009-2011 programs more cost-effective, customer focused, and ensure improvements over the impending three-year cycle.

Respectfully submitted,

LISE H. JORDAN  
DANIEL F. COOLEY

\_\_\_\_\_/s/  
By: Daniel F. Cooley

Pacific Gas and Electric Company  
77 Beale Street  
San Francisco, CA 94105  
Telephone: (415) 973-6646  
Facsimile: (415) 973-0516  
E-Mail: DFC2@pge.com

Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: October 16, 2007

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 16<sup>th</sup> day of October, 2007, I served a true copy of:

**PACIFIC GAS AND ELECTRIC COMPANY RESPONSE TO  
ADMINISTRATIVE LAW JUDGE'S SEPTEMBER 27, 2007 RULING SEEKING  
COMMENTS ON ISSUES RAISED IN THE KEMA REPORT AND ON NATURAL GAS  
APPLIANCE TESTING ISSUES**

[ X ] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.07-01-042 and A.07-05-010 with an e-mail address.

[ X ] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to all parties on the official service list for R.07-01-042 and A.07-05-010 without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 16<sup>th</sup> day of October, 2007, at San Francisco, California.

/s/

\_\_\_\_\_  
PAUL NIKHINSON